EXHIBIT B

LEHMAN BROTHERS HOLDINGS INC

FORM 10-Q
(Quarterly Report)

Filed 07/10/08 for the Period Ending 05/31/08

Address	LEHMAN BROTHERS 745 SEVENTH AVENUE NEW YORK, NY 10019
Telephone	2125267000
CIK	0000806085
Symbol	LEHMQ
SIC Code	6211 - Security Brokers, Dealers, and Flotation Companies
Industry	Investment Services
Sector	Financial
Fiscal Year	12/31

Net revenues for the 2008 three and six months were negative $2.4 billion and negative $0.7 billion, respectively, compared to $3.6 billion and $7.1 billion in the corresponding 2007 periods. The variance between the benchmark periods reflects the impact from negative valuations incurred across inventory positions. Capital Markets net revenues in the 2008 three and six month periods include approximately $0.4 billion and $1.0 billion, respectively, of gains on debt liabilities which the Company elected to fair value under SFAS 159. Interest and dividends revenue for the Capital Markets segment declined 26% and 11% in the 2008 three and six months, respectively, compared to the corresponding 2007 periods, and Capital Markets' Interest expense declined 31% and 16% between the comparative periods, primarily attributable to comparative changes in global yield curves and lower financing costs for certain inventory positions. The greater decline in financing costs compared to financing revenues resulted in net interest revenues for the Capital Markets segment increasing 66% and 88% to approximately $0.9 billion and $1.7 billion in the 2008 three and six month periods, respectively, from $0.5 billion and $0.9 billion in the corresponding 2007 periods. Non-interest expenses for the 2008 three and six months decreased 5% and 18%, respectively, compared to the corresponding 2007 periods, reflecting the resizing of various business platforms, particularly associated with certain fixed income products. For a further discussion, see "Consolidated Results of Operations—Business Acquisitions, Business Dispositions and Strategic Investments— Business Dispositions" above. Capital Markets' Income before taxes for the 2008 three and six months was negative $4.5 billion and negative $4.3 billion, respectively, compared to $1.4 billion and $2.7 billion in the corresponding 2007 periods.

Net revenues in Capital Markets— Fixed Income were negative $3.0 billion and negative $2.7 billion for the 2008 three and six months, respectively, compared to $1.9 billion and $4.1 billion in the corresponding 2007 periods. The businesses within the Fixed Income component of Capital Markets were the most affected by the market dislocations and asset repricings across various products that have continued from the second half of the 2007 fiscal year through the 2008 second quarter. These market factors resulted in negative valuation adjustments recorded against mortgage and asset-backed-related positions as well as real estate-related investments and leveraged finance positions. For a further discussion of the components of the negative valuation adjustment recorded in the 2008 three and six months and the Company's related exposures at May 31, 2008, see "Impact from Market Events" above. Additionally, the Company maintained defensive trading positions in its credit and rates businesses that lost approximately $0.7 billion in the second quarter of 2008 as a result of large market movements that occurred during the three month period.

Despite negative net revenue results for the three months and six months ended May 31, 2008, Capital Markets—Fixed Income's client revenues for the periods were approximately 27% and 40% higher than in the corresponding 2007 periods. [1] The comparative increase in client revenues reflects strong client demand for liquid market products, including interest rate and foreign exchange offerings, high grade debt products, including primary and secondary trading, and the fixed income financing component of prime brokerage services. Additionally, the Company's developing commodities trading business experienced record performance within the three month period ended May 31, 2008.

Capital Markets— Fixed Income results for the 2008 three and six month periods include approximately $0.3 billion and $0.8 billion, respectively, in allocated gains from valuation changes in certain debt liabilities carried at fair value under SFAS 159. Losses on principal portfolios recorded in the Fixed Income component of Capital Markets were approximately $0.3 and $0.6 billion for both the 2008 three and six month periods, respectively.

Capital Markets— Equities net revenues decreased 64% and 33% to $0.6 billion and $2.0 billion for the 2008 three and six months, respectively, from $1.7 billion and $3.0 billion for the corresponding 2007 periods. Capital Markets—Equities client revenues were unchanged between the second quarter of 2008 and the second quarter of 2007; but increased 16% between the six month ended May 31 comparative periods, reflecting increases in execution services and prime services activities. Global market trading volumes were lower in 2008 three and six months compared to corresponding 2007 periods. Capital Markets—Equities prime services' net revenues in the 2008 three and six months increased 5% and 16%, respectively, compared to the corresponding 2007 periods. Overall client balances were 17% lower at the end of the 2008 quarter as compared to balances at the end of the 2007 second quarter. The decline in equity prime brokerage balances is attributable to clients' deleveraging, clients' diversifying their balances across multiple prime brokers, as well as the Company's intent to reduce those balances that are viewed as inefficient use of the prime broker balance sheet.

Capital Markets— Equities net revenues for the 2008 three and six months include losses of approximately $0.3 billion and $0.1 billion, respectively, from principal investment activity, driven, in part, by depreciation in the Company's investment in an asset manager. In addition, allocated gains from valuation changes in certain debt liabilities carried at fair value under SFAS 159 were approximately $0.1 billion and $0.2 billion for the 2008 three and six months, respectively.

[1] Client revenues are an internal operating metric that is used to quantify the sales activity of Capital Market's client activities by management. It consists of commissions, which are earned from clients, and sales credits, which are a measurement calculated via models or determined on a transactional basis value. Client revenues do not reflect any impact of valuation adjustments or related hedging activities nor do client revenues reflect the results of proprietary trading or principal investing activities.

As an end-user, the Company primarily uses derivatives to hedge exposure to market risk (including foreign currency exchange and interest rate risks) and credit risks. When these end-user derivatives are interest rate swaps they are measured at fair value through earnings and the carrying value of the related hedged item is adjusted through earnings for the effect of changes in the fair value of the risk being hedged. The hedge ineffectiveness in these relationships is recorded in Interest expense in the Consolidated Statement of Income. When end-user derivatives are used in hedges of net investments in non-U.S. dollar functional currency subsidiaries, the gains or losses are reported within Accumulated other comprehensive income/(loss), net of tax, in Stockholders' equity.

The Company conducts derivative activities through a number of wholly-owned subsidiaries. The Company's fixed income derivative products business is principally conducted through Lehman Brothers Special Financing Inc., and separately capitalized "AAA" rated subsidiaries, Lehman Brothers Financial Products Inc. and Lehman Brothers Derivative Products Inc. The Company's equity derivative products business is conducted through Lehman Brothers Finance S.A. and Lehman Brothers OTC Derivatives Inc. The Company's commodity and energy derivatives product business is conducted through Lehman Brothers Commodity Services Inc. In addition, as a global investment bank, the Company also is a market maker in a number of foreign currencies. Counterparties to the Company's derivative product transactions primarily are U.S. and foreign banks, securities firms, corporations, governments and their agencies, finance companies, insurance companies, investment companies and pension funds. The Company manages risks associated with derivatives on an aggregate basis, along with the risks associated with non-derivative trading and market-making activities in cash instruments, as part of the Company's risk management policies. The Company uses industry standard derivative contracts whenever appropriate.

For additional information about accounting policies and trading-related and end-user derivative activities, see Note 1, "Summary of Significant Accounting Policies," and Note 3, "Financial Instruments and Other Inventory Positions," to the Consolidated Financial Statements.

Special Purpose Entities

The Company enters into various transactions with special purpose entities ("SPEs"). SPEs may be corporations, trusts or partnerships that are established for a limited purpose. There are two types of SPEs: QSPEs and VIEs.

A QSPE generally can be described as an entity whose permitted activities are limited to passively holding financial assets and distributing cash flows to investors based on pre-set terms. The Company's primary involvement with QSPEs relates to securitization transactions in which transferred assets, including mortgages, loans, receivables and other financial assets, are sold to an SPE that qualifies as a QSPE under SFAS 140. In accordance with SFAS 140 and FIN46(R), the Company does not consolidate QSPEs. The Company recognizes at fair value the interests the Company holds in the QSPEs. The Company derecognizes financial assets transferred to QSPEs, provided the Company has surrendered control over the assets.

Certain SPEs do not meet the QSPE criteria because their permitted activities are not limited sufficiently or the assets are non-qualifying financial instruments (*e.g.* , real estate). These SPEs are referred to as VIEs, and the Company typically uses them to create securities with a unique risk profile desired by investors to intermediate financial risk or to invest in real estate. Examples of the Company's involvement with VIEs include collateralized debt obligations, synthetic credit transactions, real estate investments through VIEs, and other structured financing transactions. Under FIN 46(R), the Company consolidates a VIE if the Company is the primary beneficiary of the entity. The primary beneficiary is the party that either (i) absorbs a majority of the VIEs expected losses; (ii) receives a majority of the VIEs expected residual returns; or (iii) both.

For a further discussion of consolidation policies, see "Critical Accounting Policies and Estimates—Consolidation Policies" in this MD&A. For a further discussion of securitization activities and involvement with VIEs, see Note 6, "Securitizations and Special Purpose Entities," to the Consolidated Financial Statements.

Conduits

Conduits are entities established to convey financing. They are thinly capitalized SPE structures established on behalf of a sponsor or sponsors that purchase assets usually from multiple parties, funding those purchases by issuing commercial paper. Assets held in a conduit serve as collateral for the commercial paper issued by the conduit. The Company is a sponsor, guarantor, and/or liquidity and credit facility provider to certain conduits. Specifically:

- The Company makes certain liquidity commitments and guarantees to commercial paper conduits in support of certain clients' secured financing transactions. These commitments and guarantees obligate the Company to provide liquidity to these conduits in the event the conduits cannot obtain funding in the market. However, the Company's obligation is limited to the total amount required to fund clients' assets in the conduit. At May 31, 2008 and November 30, 2007, the amount of these commitments was approximately $1.2 billion and $1.4